SOL Global Signs Binding Agreement with Merida Capital Partners' Subsidiary to Acquire Michigan Fully Licensed Cannabis Business

written by Raj Shah | April 25, 2019

April 24, 2019 (Source) – *Michigan's MCP Wellness to be combined with Florida's 3 Boys Farms to create new Multi-State Operator*

SOL Global Investments Corp. ("**SOL Global**" or the "**Company**") (CSE: SOL) (OTCQB: SOLCF) (Frankfurt: 9SB), the owner of 3 Boys Farms, LLC ("**3 Boys**"), which holds one of Florida's original 14 operating and vertically integrated medical marijuana treatment center licenses, is pleased to announce that it has entered into a binding letter of intent ("**LOI**") with cannabis-focused private equity firm Merida Capital Partners ("**Merida**") dated April 23, 2019 to acquire Merida's Michigan subsidiary, MCP Wellness, Inc. ("**MCP Wellness**") for an aggregate purchase price of US$150 million (the "**Acquisition**"). MCP Wellness, a special-purpose vehicle (SPV) created to invest in Michigan cannabis operations, currently holds the rights to acquire two Michigan cultivation licenses, a processing license, and 3 fully licensed cannabis provisioning centers in Michigan with a fourth provisioning center scheduled to open in Ann Arbor in May.

MCP Wellness also has plans to open an additional nine municipally-approved provisioning centers by August 2019. Assuming MCP Wellness' expansion plans are completed as scheduled, SOL Global and Merida expect Michigan gross revenue from the acquired business to generate in excess of US$61

million in calendar year 2019 and more than US$121 million in 2020. Below is a summarized table of projected total revenue, costs of goods sold, gross profit, expenses and net income before tax for the 2019 and 2020 fiscal years.

Projected Income Statement				
Expressed in Thousands (000) and in United States Dollars				
	2019		**2020**	
Total Revenue	**$**	**61,808**	**$**	**121,160**
Cost of Goods Sold	$	32,893	$	57,512
Gross Profit	**$**	**28,914**	**$**	**63,648**
Gross Profit %age	*48%*		*48%*	
Total Expenses	**$**	**10,984**	**$**	**20,310**
Net Profit, before Tax	**$**	**17,930**	**$**	**43,338**
Gross Profit %age	*29%*		*36%*	

The Acquisition, which is subject to the negotiation and execution of a definitive purchase agreement and regulatory approval for the transfer of licenses within Michigan, is expected to close in May 2019 and will not dilute SOL Global's shareholders.

SOL Global owns 3 Boys through its wholly-owned subsidiary, CannCure Investments Inc. ("**CannCure**"). Following the closing of the Acquisition, SOL Global intends to combine the acquired Michigan business into CannCure to form a new multi-state operator (the "**MSO**"). Under the terms of the LOI, the purchase price will be satisfied by way of US$35 millionin cash and US$115 million in equity consideration in CannCure, resulting in Merida owning approximately 42% of CannCure (including after giving effect to the proposed CannCure private placement financing described below). In regard to the cash

consideration, US$9 million will be sourced from cash on hand and US$24 million will come from a private placement financing of CannCure equity and/or debt on pricing and terms to be determined by management following market assessment. In addition to the Acquisition, the retrofitting of an approximately 110,000 square-foot cultivation facility in Michigan will begin immediately to service the growing retail footprint and demand within Michigan with high-quality flower and award-winning cannabis strains from 3 Boys' respected growers. 3 Boys will continue to strengthen its operations in Florida; as announced on April 22, 2019, 3 Boys has already received approval from the Florida Department of Health, Office of Medical Marijuana Use ("**OMMU**") to begin processing and dispensing cannabis flower and pre-rolled products at its new, state-of-the-art extraction and processing facility in Indiantown, Florida. 3 Boys expects to open its first two (2) retail dispensaries in Florida before the end of the second quarter, and an additional 12 such locations by March 31, 2020. According to Marijuana Business Daily, the number of qualified active cannabis patients in Florida nearly tripled in the twelve months between December 2017 and December 2018, from 56,537 to 159,107. As of April 19, 2019, there are currently 272,366 qualified patients in Florida, according to the latest weekly update from the OMMU. 3 Boys expects this explosive rate of growth in the Florida market to continue.

Merida, which recently launched its third fund, will contribute both operational talent and oversight into the combined entity. As part of the Acquisition, certain key executives of the Michigan operation will join the MSO and serve on the leadership team with an emphasis on retail operations.

"MCP Wellness's acquisition of the Michigan licenses, once completed, will be the perfect complement to 3 Boys' operations in Florida, as both states offer tremendous growth potential and

this partnership will combine talent, industry leading genetics and processing, plus cultivation and retail expertise across two of the most coveted and revenue generating markets in the U.S." said Brady Cobb, CEO of SOL Global. "This acquisition will help ensure that SOL Global, through the MSO, will be able to execute on its visionary vertically integrated cultivation and retail strategies in the United States' most promising cannabis markets."

"Over the past several years, Michigan has become one of the country's largest medical cannabis markets, projected at nearly US$900 million for 2019, according to New Frontier Data," said Mitch Baruchowitz, managing partner of Merida Capital Partners. "With adult use coming in 2020, Merida is excited by the opportunity to combine one of Michigan'sleading retail operations with a Florida operator while aggressively pursuing additional acquisition targets across several states that will help create a more diversified company."

SOL Global and Merida Capital are also in active negotiations on acquisitions for the MSO in additional states. Specifically, SOL Global is finalizing negotiations to acquire an industry leading California cultivator and processor with superior genetics and a chain of prime retail dispensaries in California, and at the conclusion of that transaction, SOL Global intends to pursue a "going public transaction" of the MSO by way of an initial public offering, reverse takeover, plan of arrangement or other similar transaction that will result in the listing of the shares of the MSO on a recognized Canadian stock exchange. SOL Global and Merida both intend to be significant shareholders of the MSO following the going public transaction.

About SOL Global Investments Corp.

SOL Global is an international investment company with a focus

on, but not limited to, cannabis and cannabis related companies in legal U.S. states, the hemp and CBD marketplaces and the emerging European cannabis and hemp marketplaces. Its strategic investments and partnerships across cultivation, distribution and retail complement the company's R&D program with the University of Miami. It is this comprehensive approach that is positioning SOL Global as a future frontrunner in the United States' medical cannabis industry.

About Merida Capital Partners

Merida Capital Partners is a private equity firm targeting fundamental growth drivers which accelerate the rapid development of the cannabis and hemp industries. Our motto, *Responsible Investing in the Cannabis Ecosystem,* highlights our focus on governance while identifying leading cultivation technologies, products and services associated with the evolution of cannabis and hemp as agricultural products, plant-based medicines, constituents in pharmaceutical formulations and recreational consumer products. For more information, please visit www.meridacap.com or follow us on twitter @meridacap.

Cautionary Statements

This press release contains "forward-looking information" within the meaning of applicable securities laws. All statements contained herein that are not clearly historical in nature may constitute forward-looking information. In some cases, forward-looking information can be identified by words or phrases such as "may", "will", "expect", "likely", "should", "would", "plan", "anticipate", "intend", "potential", "proposed", "estimate", "believe" or the negative of these terms, or other similar words, expressions and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. The forward-looking

information contained in this press release include, but are not limited to, statements with respect to: the terms and conditions of SOL Global's proposed acquisition of MCP Wellness, the expansion of MCP Wellness' business and the projected revenues as a result of such expansion, the creation of a new MSO, the sources for the cash consideration in regard to the Acquisition, the retrofitting of a 110,000 square foot cultivation facility to service anticipated demand in Michigan, expectations regarding the continued growth of the Florida medical cannabis market, the expansion plans of 3 Boys, the projected size of the Michigan cannabis market, the plans to expand into the California cannabis market and plans to undertake a going public transaction on the part of the MSO.

By their nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the forward-looking information in this press release, including the failure to negotiate and execute a definitive purchase agreement, the failure of MCP Wellness to complete the acquisition of the additional Michigan licensed centers, delays in construction, lower than expected crop yields or the failure to obtain the applicable regulatory approvals necessary for the closing of the Acquisition.

Other risk factors include, but are not limited to: the Company's ability to comply with all applicable governmental regulations in a highly regulated business; investing in target companies or projects which have limited or no operating history

and are engaged in activities currently considered illegal under US federal laws; changes in laws; limited operating history; reliance on management; requirements for additional financing; competition; inconsistent public opinion and perception regarding the medical-use and adult-use marijuana industry; and regulatory or political change. Additional risk factors can also be found in the Company's current MD&A and annual information form, both of which have been filed on SEDAR and can be accessed at www.sedar.com.

Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information. The forward-looking information contained herein is made as of the date of this press release and is based on the beliefs, estimates, expectations and opinions of management on the date such forward-looking information is made. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking information, except as required by applicable law.